

SPECIAL NOTICE

Originally Issued - July 26, 2002

For further information contact:
Telephone Information Center
1-800-647-7706 or (360) 705-6705

Alternate Formats (360) 705-6715
Teletype 1-800-451-7985

Estate Tax Filing Requirements - Updated 2004

For deaths occurring after December 31, 2001, the state of Washington has different estate tax reporting requirements than the federal government. The "Economic Growth and Tax Relief Reconciliation Act of 2001" resulted in significant changes in federal estate tax law. Some states amended their estate tax statutes to conform to the federal law, but Washington has not. Washington's estate tax laws are provided under Chapter 83.100 RCW. Our law references the Internal Revenue Code as it existed on January 1, 2001, so Washington has different filing requirements than the federal government.

There are five major differences between the reporting requirements under federal law and Washington's law. They are:

- 1) In the year 2002, estates with a gross value between \$700,000 and \$999,999 must file an estate tax return with the State of Washington, but are not required to file with the federal government. As illustrated in the table below, the reporting thresholds for both the State of Washington and the federal government will change several times over the next few years.
- 2) The Washington estate tax is 100% of the available state credit, not the reduced percent of state credit allowed by the federal government.
- 3) Washington uses a different unified credit than that credit currently allowed under federal law. This is because Washington uses the unified credit as set forth in the Internal Revenue Code as of January 1, 2001.
- 4) Washington does not follow the new federal generation-skipping transfer tax allocation rules. This is because Washington must use the allocation rules set forth in the Internal Revenue Code as it existed on January 1, 2001.
- 5) Washington does not allow the expanded definition of what land qualifies for a qualified conservation easement. Again, this is because Washington will use the definition of what land qualifies for a qualified conservation easement as set forth in the Internal Revenue Code as it existed on January 1, 2001.

(more)



Estate Tax Filing Requirements - Special Notice

Page 2

For 2002, the filing threshold for the state of Washington is \$700,000. These filing thresholds will increase several times over the next few years:

Existing Washington Law				Federal Reconciliation Act		
Year	State of Washington Filing Threshold 1/1/01 Law	State of Washington Unified Credit 1/1/01 Law	% of State Credit Payable to Washington 1/1/01 Law	Federal Filing Threshold Under Reconciliation Act	Federal Unified Credit Under Reconciliation Act	% of State Credit Allowed Under Reconciliation Act
2002	700,000	229,800	100%	1,000,000	345,800	75%
2003	700,000	229,800	100%	1,000,000	345,800	50%
2004	850,000	287,300	100%	1,500,000	555,800	25%
2005	950,000	326,300	100%	1,500,000	555,800	0%
2006	1,000,000	345,800	100%	2,000,000	780,800	0%
2007	1,000,000	345,800	100%	2,000,000	780,800	0%

The revised Washington State Estate Tax Return and instructions are available on the Department of Revenue web site at: <http://dor.wa.gov>.

If you would like to receive future notifications about the tax return(s), law changes and other estate tax news, please subscribe to our listserv email service at Estate Tax Notifications at: <http://dor.wa.gov/Content/Contactus/email/listServ.aspx?listtype=estate>.

The interest rate for late payments are as follows:

Calendar Year	Assessments	Refunds
2002	7%	7%
2003	5%	5%
2004	4%	4%

If you have any questions regarding this information or other estate tax questions please contact the Estate Tax Section at (360) 570-3265.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-3217. Teletype (TTY) users please call 1-800-451-7985.